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Transmitted via e-mail

November 16, 2010

Ms. Stacey Aldrich, State Librarian California State Library P.O. Box 942837 Sacramento, CA 94237-0001

Dear Ms. Aldrich:

#### Final Report—County of Tulare, California State Library Grant Audit

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed its audit of the County of Tulare's (County) grant agreement 1060 for the period December 16, 2003 through June 30, 2009. This grant was awarded by the California State Library under the Proposition 14 Bond Program.

The enclosed report is for your information and use. The County's response to the finding and our evaluation of the response are incorporated into this final report.

In accordance with Finance's policy of increased transparency, this report will be placed on our website. Additionally, pursuant to Executive Order S-20-09, please post this report in its entirety to the Reporting Government Transparency website at <a href="http://www.reportingtransparency.ca.gov">http://www.reportingtransparency.ca.gov</a> within five working days of this transmittal.

We appreciate the assistance and cooperation of the County. If you have any questions regarding this report, please contact Jennifer Whitaker, Manager, or Rich Hebert, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

David Botelho, CPA Chief, Office of State Audits and Evaluations

#### **Enclosure**

cc: Mr. Brian Summers, Capital Projects Manager, County of Tulare

Ms. Kristin Bennett, Assistant County Administrative Officer, County of Tulare

Mr. Brian Lewis, County Librarian, County of Tulare

Ms. Carrie Boggs, Accountant, County of Tulare

Mr. Curtis Purnell, Bond Act Fiscal Officer, California State Library

### A GRANT AUDIT

# County of Tulare Visalia Public Library Grant Agreement 1060



Prepared By:
Office of State Audits and Evaluations
Department of Finance

106120151 October 2010

#### **MEMBERS OF THE TEAM**

Jennifer Whitaker Manager

> Rich Hebert Supervisor

<u>Staff</u> Dennis W. Solheim, CPA

Final reports are available on our website at <a href="http://www.dof.ca.gov">http://www.dof.ca.gov</a>

You can contact our office at:

Department of Finance
Office of State Audits and Evaluations
300 Capitol Mall, Suite 801
Sacramento, CA 95814
(916) 322-2985

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#### **BACKGROUND**

In March 2000, California voters approved the California Reading and Literacy Improvement and Public Library Construction and Renovation Bond Act (Proposition 14), which authorized the State of California to sell \$350 million in general obligation bonds to support public library construction and renovation. The California State Library, Office of Library Construction (OLC), administered this program during the application review and approval phases, and awarded 45 projects totaling \$334 million.

In 2006, OLC was reorganized as the Bond Administration Office (BAO), which now administers the program. BAO authorizes the disbursement of bond proceeds to local agencies via grants, and these agencies expend the funds on approved projects. Program requirements are codified in Title 5 and Title 24 of the California Code of Regulations.

OLC awarded the County of Tulare (County) a \$3.43 million Proposition 14 grant, which represents 65 percent of the budgeted amount to fund a remodeling and expansion of the existing Visalia Public Library. The project was completed in January 2009 and has provided the County a renovated and expanded 45,192 square foot library.

#### SCOPE

In accordance with an interagency agreement, the Department of Finance, Office of State Audits and Evaluations, conducted a compliance audit of grant agreement 1060 for the period December 16, 2003 through June 30, 2009.

The audit objective was to determine whether the County's grant expenditures were in compliance with applicable laws, regulations, and grant requirements. In order to design adequate procedures to evaluate fiscal compliance, we obtained an understanding of the relevant internal controls. We did not assess the efficiency or effectiveness of program operations.

The County is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. The California State Library is responsible for evaluating the efficiency and effectiveness of program operations.

#### **METHODOLOGY**

To determine whether grant expenditures were in compliance with applicable laws, regulations, and grant requirements, we performed the following procedures:

 Interviewed key personnel to obtain an understanding of the grant-related internal controls.

- Examined applicable laws, policies, procedures, and grant files maintained by BAO.
- Reviewed the County's accounting records and vendor invoices.
- Selected a sample of expenditures to determine if claimed costs were allowable, grant-related, incurred within the grant period, supported by accounting records, and properly recorded.
- Performed procedures to determine if other revenue sources were used to reimburse expenditures already reimbursed with grant funds.
- Conducted a site visit to verify project existence.

The results of our audit are based on our review of documentation, other information made available to us, and interviews with County staff directly responsible for administering the bond funds. The audit was conducted from June 2010 through October 2010.

This audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our observations and recommendations based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our observations and recommendations.

#### **RESULTS**

Based on the audit procedures performed, the County met the fiscal requirements for the grant agreement. One observation was identified and is presented below. In addition, the County, which was required to provide matching funds equal to 35 percent of eligible expenditures, met the \$1.84 million matching fund requirement. The Schedule of Claimed, Audited, and Questioned Amounts is presented in Table 1.

Table 1: Schedule of Claimed, Audited, and Questioned Amounts

Grant Agreement 1060 For the Period December 16, 2003 through June 30, 2009				
Expenditures	Claimed	Audited	Questioned	
New Construction	\$ 515,764	\$ 515,764	\$ 0	
Remodeling Construction	3,252,289	3,252,289	0	
Site Development	286,725	286,725	0	
Site Permit and Fees	2,050	2,050	0	
Furnishings and Equipment Costs	595,634	595,634	0	
Signage	37,220	37,220	0	
Architectural and Engineering Fees	339,000	339,000	0	
Construction/Project Management	229,600	229,600	0	
Other Professional Fees	12,689	12,689	0	
Total	\$ 5,270,971 <sup>1</sup>	\$ 5,270,971	\$ 0	

Amount includes the 10 percent retention withheld by the California State Library totaling \$342,613 and \$1,844,840 million in matching funds.

#### Observation 1: Noncompliance with Contract Provision

The County has not yet recorded the state's interest in the title record for the Visalia Public Library. The Library Bond Act Regulations, Title 5, section 20438(d)(2), states upon completion of the project the grant recipient shall record the state's interest in the facility in the title record. Further, the title record for the building shall specify the state's interest by recording that the public library facility shall be used to provide public library direct service for 40 years following the completion date of the project, as specified in Education Code, section 19999. Without having the state's interest recorded in title record, the state would not be able to recover state funds in the event the property was sold or used for a different purpose.

#### Recommendation:

The County should record in the title record the state's 40 year interest in the library and provide evidence of title to the California State Library.

### Response

Administration Building 2800 W. Burrel Ave. Visalia, California 93291 TEL: (559) 636-5005 FAX: (559) 733-6318 www.co.tulare.ca.us

# County of Tulare



Jean M. Rousseau County Administrative Officer

Kristin Bennett, Assistant County Administrative Officer

November 28, 2010

Mr. David Botelho, Chief Department of Finance Office of State Audits and Evaluations 300 Capital Mall, Ste 801 Sacramento, CA 95814

Subject:

Draft Report - County of Tulare, California State Library Grant Audit

Mr. Botelho:

In accordance with the requirements set forth in the aforementioned Draft Report, please find herein the County of Tulare's official response.

As stated in the draft report, and re-stated here, there was one observation and recommendation:

#### Observation 1: Noncompliance with Contract Provision

The County has not yet recorded the state's interest in the title record for the Visalia Public Library. The Library Bond Act Regulations, Title 5, section 20438(d)(2), states upon completion of the project the grant recipient shall record the state's interest in the facility in the title record. Further, the title record for the building shall specify the state's interest by recording that the public library facility shall be used to provide public library direct service for 40 years following the completion date of the project, as specified in Education Code, section 19999. Without having the state's interest recorded in title record, the state would not be able to recover state funds in the event the property was sold or used for a different purpose.

Recommendation: The County should record in the title record the state's 40 year interest in the library and provide evidence of title to the California State Library.

**Response:** In response to the observation and recommendation, the Tulare County Board of Supervisors approved recordation of the Declaration of the States Interest in the subject property at its regularly scheduled meeting on October 19, 2010. Please find attached Board Resolution number 2010-0849.

The declaration was subsequently signed by the Chairman of the Board of Supervisors and sent to the Tulare County Clerk/Recorder's office on October 21, 2010 for recording.

The document was then recorded on October 22, 2010, and a copy is included with this response. Additionally a copy of the recorded document has been sent via certified mail to Mr. Curtis Purnell at the California State Library.

In closing I want to thank Mr. Rich Hebert and Mr. Dennis Solheim for their thoroughness and professionalism during the grant audit, and Mr. Curtis Purnell and Ms. Tona Paz for their guidance and assistance throughout the course of project and the closeout process.

Sincerely,

Original signed by:

Brian Summers
Capital Projects/Facilities Manager

BS/cb

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### Evaluation of Response

The Department of Finance (Finance) reviewed the County of Tulare's (County) response to our draft audit report. Subsequent to our audit fieldwork, the County recorded the state's interest in the library property and provided documentation thereof. We commend the County's willingness to promptly implement our recommendation. The observation has been corrected and no further action is required.